

## **KAISER PERMANENTE'S PROPOSAL FOR MEDICARE PART B SENIOR ADVANTAGE PLAN**

### **DESCRIPTION**

Kaiser Permanente (Kaiser) proposes to provide a Medicare Part B Senior Advantage Plan for CalPERS members who do not qualify for the Kaiser Senior Advantage (KPSA) Plan under the Centers for Medicare and Medicaid Services (CMS) eligibility requirements. Kaiser can offer this proposal because CMS waived its Medicare Part A coverage requirement for individuals enrolling in a "KPSA Part B only" plan. This means that CalPERS members could participate in a KPSA Plan and receive all KPSA benefits with only Part B coverage even though they are not qualified for Part A. This is an exception to the standard CMS requirements for Medicare eligibility.

#### **Standard Medicare Coverage Requirements for Members with Part A and B**

For a 65-year-old member to enroll in an Advantage Plan, CMS requires the enrollee to:

- have Medicare Part A and Part B coverage;
- live in the plan service area; and,
- not have end-stage renal disease.

Enrollment in Medicare Part B is open to all persons who are entitled to Part A benefits. CMS identifies members entitled to Medicare Part A and notifies members of Medicare Part B eligibility. The member can then decline Part B enrollment through a written response to CMS, or by failing to pay the CMS billing for Part B. The initial enrollment period begins with the third month before the month in which an individual first meets the eligibility requirements (usually his/her 65<sup>th</sup> birthday) and ends seven months later.

In most cases, individuals who do not enroll in Part B within a year of the close of their initial enrollment period must pay their Part B premium plus a permanent Part B penalty for late enrollment. The Part B penalty is 10 percent (\$9.60/month for 2009) of the Part B premium times the number of years the member could have enrolled in Medicare but did not.

#### **Kaiser Medicare Part B Only Plan For Members Without Part A**

Currently, CalPERS has approximately 1,539 Kaiser Basic plan members who are 65 years of age and older and do not have Medicare Part A coverage. Kaiser proposes that CalPERS allow members to voluntarily move from the Basic plan into the "KPSA Part B only" plan. As stated above, Kaiser can offer a full Senior Advantage plan to Part B only members because of its CMS waiver. This would provide CalPERS Kaiser members with enhanced benefits if they participated in the Kaiser Senior Advantage Program.

## **CALPERS STAFF ANALYSIS**

### **Estimated Savings**

The table below presents the estimated savings from Kaiser's proposal:

<b>Category Medicare Coverage</b>	<b>State Members</b>	<b>State Savings</b>	<b>Contracting Agency Members</b>	<b>Contracting Agency Savings</b>
<b>Has Part B no Part A</b>	39	\$0.28m	45	\$0.32m
<b>Has neither Part A nor Part B</b>	1,500	\$5.20m	539	\$2.70m
<b>Total</b>	<b>1,539</b>	<b>\$5.48m</b>	<b>584</b>	<b>\$3.02m</b>

Kaiser's cost/benefit formula accounts for the Part B penalty and administrative costs resulting in these estimated net savings. Kaiser estimates that CalPERS will save approximately \$8.5 million (\$5.48 million for state members and \$3.02 million for contracting agency members) if all members moved, which would significantly reduce Kaiser's Basic health plan surcharge.

CalPERS staff reviewed Kaiser's supporting documentation, calculations and results. Kaiser's methodology and estimated savings appear to be reasonable and realistic. Staff agree with Kaiser's underwriting staff that reducing the Kaiser Basic health plan surcharge will more than offset the cost of CalPERS paying the members' Part B penalties should they choose to enroll, reduce Basic health plan premiums and slow the growth rate of the California State Budget line item 9650 (Health and Dental Benefits for Annuitants funding). Further, the savings is not just one time, but achieved each year.

### **RECOMMENDATION**

The overall savings to the members and the employers makes this proposal attractive as a cost-saving measure while preserving the quality of care for Medicare members. Staff recommends that CalPERS consider Kaiser's proposal during the 2010 rate renewal. At that time, CalPERS staff will not only measure the impact to the 2010 Kaiser basic premium, but also conduct an actuarial analysis on future savings, identify Part B penalty funding sources, and complete an assessment of savings to the California State Budget.